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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR QUARTER ENDED June 30, 1992

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ **TO** _____.

Commission File Number 0-2958

TSI INCORPORATED
(Exact name of registrant as specified in its charter)

Minnesota	41-0843524
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

500 Cardigan Road
Shoreview, Minnesota 55126
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (612) 483-0900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date: July 20, 1992 Number of Common Shares Outstanding: 3,490,159

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TSI Incorporated

FORM 10-Q
For the Quarter Ended June 30, 1992

PART I. FINANCIAL INFORMATION

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TSI Incorporated and Subsidiaries

Consolidated Statements of Earnings
(Unaudited)

Three Months Ended June 30	1992	1991
Net sales	$9,989,784	$8,905,192
Cost of products sold	4,318,416	3,775,106
Gross Profit	5,671,368	5,130,086
Operating expenses:		
Research & product development	1,491,548	1,424,716
Selling	2,707,164	2,578,840
Administrative	854,940	757,918
	5,053,652	4,761,474
Operating Income	617,716	368,612
Other income	79,907	143,079
Earnings Before Income Taxes	697,623	511,691
Provision for income taxes	230,000	194,000
Net Earnings Before Cumulative Effect of Accounting Change	467,623	317,691
Cumulative effect of accounting change for income taxes	—	73,000
Net Earnings	$ 467,623	$ 390,691
Earnings per common share:		
Earnings before cumulative effect of accounting change	$.13	$.09
Cumulative effect of accounting change for income taxes	—	.02
Net Earnings Per Common Share	$.13	$.11
Weighted average number of shares for computation of earnings per common share	3,582,024	3,722,912

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Period Ended	June 30 1992 (unaudited)	March 31 1992	June 30 1991 (unaudited)
Assets			
Current Assets			
Cash and cash equivalents	$ 4,400,493	$ 5,951,903	$ 4,816,921
Accounts receivable	7,453,555	7,436,403	7,122,423
Prepaid expenses	378,766	182,149	423,086
Income taxes receivable	—	25,587	—
Inventories:			
Finished products	1,625,857	1,629,655	1,859,268
Work-in-process	1,481,180	1,503,039	2,096,669
Materials and supplies	2,950,826	2,848,038	2,922,348
	6,057,863	5,980,732	6,878,285
Total Current Assets	18,290,679	19,576,864	19,240,715
Intangibles and Other Assets			
Goodwill	1,259,007	1,269,319	1,300,255
Note receivable	354,937	363,062	449,937
Recoverable income taxes	—	—	1,030,496
Other assets	677,150	705,392	744,186
	2,291,094	2,337,773	3,524,874
Property, Plant and Equipment			
Land	128,503	128,503	128,503
Building	1,039,070	1,039,070	1,039,070
Machinery and equipment	10,277,022	10,041,959	9,412,025
Construction in progress	340,091	296,538	29,178
	11,784,686	11,506,070	10,608,776
Less allowance for depreciation	7,709,163	7,526,271	6,712,131
	4,075,523	3,979,799	3,896,645
Total Assets	$24,657,296	$25,894,436	$26,662,234
Liabilities & Shareholders' Equity			
Current Liabilities			
Accounts payable & accrued expenses	$ 2,331,669	$ 2,856,379	$ 2,479,003
Employee compensation	1,540,463	1,665,808	1,693,221
Taxes, other than income taxes	244,710	354,635	344,974
Income taxes payable	199,803	—	1,080,181
Current maturities of long-term liabilities	85,000	85,000	172,644
Total Current Liabilities	4,401,645	4,961,822	5,770,023
Long-Term Liabilities, less current maturities	845,000	880,000	965,000
Deferred Income Taxes	134,967	134,967	717,096
Total Liabilities	5,381,612	5,976,789	7,452,119
Shareholders' Equity			
Common Shares, $.10 par value	346,366	357,563	358,962
Additional paid-in capital	4,287,166	4,397,542	4,011,186
Retained earnings	14,370,454	14,937,552	14,693,193
Equity adjustment from translation	271,698	224,990	146,774
Total Shareholders' Equity	19,275,684	19,917,647	19,210,115
Total Liabilities and Shareholders' Equity	$24,657,296	$25,894,436	$26,662,234

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended June 30	1992	1991
Operating Activities		
Net earnings	$ 467,623	$ 390,691
Adjustments to reconcile net earnings to net cash provided (used in) by operating activities:		
Provision for losses on accounts receivable	5,765	—
Depreciation and amortization of property, plant and equipment	242,392	254,964
Amortization of goodwill and net operating loss carryforward	10,312	10,310
(Gain) loss on sale of assets	(24,277)	28,868
Cumulative effect of accounting change for income taxes	—	(73,000)
Changes in operating assets & liabilities:		
Accounts receivable	(22,917)	1,904,393
Prepaid expenses	(196,617)	(254,436)
Income taxes receivable	25,387	—
Inventories	(77,131)	(480,470)
Other assets	36,367	(117,242)
Accounts payable and accrued expenses	(524,710)	(313,984)
Employee compensation payable	(125,345)	23,013
Taxes, other than income taxes	(109,925)	(103,250)
Current income taxes payable	199,803	170,591
Foreign currency transaction (gain) loss	10,742	(14,840)
Net Cash Provided (Used In) by Operating Activities	(82,331)	1,426,501
Investing Activities		
Additions to property, plant and equipment	(320,703)	(270,774)
Proceeds from disposal of property, plant and equipment	29,304	1,456
Net Cash Used in Investing Activities	(291,399)	(269,318)
Financing Activities		
Principal payments on notes payable, long-term debt and capital lease obligations	(35,000)	(63,788)
Proceeds from exercise of employee stock options	17,588	195,855
Dividends paid	(142,444)	(145,315)
Purchases of common stock	(1,031,438)	(43,160)
Net Cash Used in Financing Activities	(1,191,294)	(56,408)
Effect of exchange rate change on cash and cash equivalents	13,526	(21,766)
Increase (Decrease) in Cash and Cash Equivalents	(1,551,498)	1,079,009
Cash and cash equivalents at beginning of year	5,951,993	3,737,912
Cash and Cash Equivalents at End of Three-Month Period	$ 4,400,495	$ 4,816,921

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1992
(Unaudited)

Note 1: Basis of Presentation

The information included in the foregoing interim financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

Note 2: Earnings Per Share

See Exhibit 11, Computation of Per Share Earnings, on page 11. of this document.

Note 3: Restatement of Prior Periods

Effective April 1, 1991, the Company adopted Statement of Financial Accounting Standard No. 109 (FAS 109). The cumulative effect of this change in accounting related to years prior to fiscal 1992, was to increase fiscal 1992 net earnings by $73,000 ($.02 per share). As a result of the change, the Consolidated Statement of Net Earnings for the three month period ended June 30, 1991 has been restated to give effect to this change as of April 1, 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net sales for the three month period ended June 30, 1992 were $9,990,000. This represents an increase of 12.2 percent from $8,905,000 for the same period a year ago. The Environmental Monitoring and Control market area, which accounted for 56 percent of the Company's business in fiscal 1992, experienced the largest growth in net sales during the quarter, rising 23 percent from the same quarter a year ago. Contributing to this growth was an $850,000 contract shipment by Handar, the Company's wholly owned California subsidiary, and stronger sales in the industrial test instruments and microcontamination (clean room) market niches. The Research market niches, about 40 percent of fiscal 1992 net sales, grew by about 6 percent while the Industrial Process Control instruments, about 4 percent of fiscal 1992 net sales, showed a decrease in net sales of approximately 57 percent.

Gross profit for this quarter was 56.8 percent of net sales compared to 57.6 percent for the first quarter last year. Historically, the Company's gross profit has been in a range of 57 to 60 percent of net sales. The lower gross profit percentage for the first three months of fiscal 1993 did not result from any one dominant factor, but rather from a combination of several factors including a lower margin development contract, discounts, purchase variances and product mix. These are not considered to represent a trend.

Research and product development expenses were 14.9 percent of net sales for the three month period ended June 30, 1992 as compared to 16.0 percent of net sales for the same period last year. The decrease in research and product development expenses as a percentage of net sales is mostly the result of increased net sales in the fiscal 1993 period as compared to fiscal 1992. Actual research and product development spending is up 5.7 percent reflecting the Company's continued commitment to growth through development of new technologies and products.

Selling expenses were 27.1 percent of net sales for the first three months of fiscal 1993 compared to 29.0 percent of net sales for the same period in fiscal 1992. The decrease in selling expenses as a percentage of net sales continues a trend toward lower percentages in this category. Actual expenses rose 5.0 percent.

Administrative expenses were 8.6 percent and 8.5 percent for the quarters ending June 30, 1993 and 1992, respectively. The Company expects administrative costs to continue in a normal operating range of 7 to 9 percent of net sales through the remainder of fiscal 1993.

Results of Operations (continued)

Other income was $80,000 in the first quarter of fiscal 1993 compared to $143,000 in the first quarter of fiscal 1992. This decrease in other income is primarily due to a first quarter loss of $23,000 on income is prim currency transactions compared with a $31,000 gain during the same period in fiscal 1992.

The provision for income taxes was 33 percent of pre-tax earnings for the first quarter of fiscal 1993 compared with 38 percent for the same period in fiscal 1992. The decrease in the effective tax rate is mainly attributable to the settlement and full recognition of the disqualification of the Company's DISC during fiscal 1992. The Company expects its effective tax rate to be near the first quarter rate for the remainder of fiscal 1993, given normal operating conditions and assuming no significant changes in the tax laws.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $1,552,000 to $4,400,000 at June 30, 1992 from $5,952,000 at March 31, 1992. This decrease was mainly attributable to the repurchase of 104,500 shares of the Company's common stock.

During the first quarter of fiscal 1993, the Company repurchased 104,500 shares of its own common stock as authorized by the Board of Directors under the fiscal 1992 repurchase plan. On July 23, 1992, the Board of Directors authorized the repurchase of 250,000 shares of the Company's common stock on the open market or by privately negotiated transactions. This new authorization replaces the fiscal 1992 repurchase plan which as of July 23, 1992, still had 56,400 shares remaining for repurchase. Currently, management has no plans to acquire all of the authorized shares or to repurchase shares at any prescribed rate over time.

The ratio of current assets to current liabilities was 4.2 as of June 30, 1992, compared to 3.9 on March 31, 1992. Working capital was $13,889,000 at the end of the first quarter of fiscal 1993, compared to $14,615,000 at the end of fiscal 1992.

Management believes internally-generated funds and short-term borrowings on existing credit lines will provide adequate resources to support current operations during the remainder of fiscal 1993 and into fiscal 1994.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a vote of Security Holders

On July 23, 1992, the Company conducted its annual meeting of stockholders. At this meeting Leroy M. Fingerson and Donald M. Sullivan were reelected to the Board of Directors for three year terms. There were no other changes to the board. Also, at this meeting, the stockholders voted to adopt the Company's Stock Option Plan of 1992, to reserve shares for issuance thereunder, and ratified the appointment of KPMG Peat Marwick as the independent auditors for the Company for the fiscal year ending March 31, 1993.

Item 5. Other Information

On July 23, 1992, Jim E. Doubles was elected by the Board of Directors to the office of President and Chief Operating Officer. Mr. Doubles previously served as Executive Vice President and Chief Operating Officer. Dr. Leroy M. Fingerson will continue as Chief Executive Officer and Chairman of the Board of Directors.

Also on July 23, 1992, the Board of Directors elected Laura J. Cochrane to the office of Secretary of the corporation. Ms. Cochrane is a 10 year TSI employee, has been a member of the Minnesota Bar since 1988 and currently serves in the position of Internal Counsel.

Item 6. Exhibits and Reports on FORM 8-K

(a) Exhibits:

Exhibit 11 - Computation of Per Share Earnings.

(b) Reports on Form 8-K:

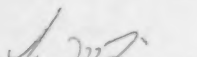
No reports on Form 8-K have been filed by the Registrant during the quarter for which this report is being filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: TSI Incorporated

August 10, 1992
Date

By: 
Leroy M. Fingerson
Chairman and
Chief Executive Officer

August 10, 1992
Date

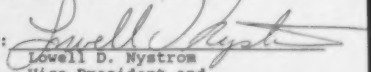
By: 
Lowell D. Nystrom
Vice President and
Chief Financial Officer

EXHIBIT 11

TSI Incorporated

Computation of Per Share Earnings

	Three Month Period Ended June 30, 1992	1991
Primary		
Average shares outstanding	3,513,724	3,589,202
Net effect of dilutive stock options, based on the treasury stock method using average market price	68,300	133,710
TOTAL	3,582,024	3,722,912
Net Earnings	$467,623	$390,691
Primary per share amounts	$.13	$.11
Fully Diluted		
Average shares outstanding	3,513,724	3,589,202
Net effect of dilutive stock options, based on the treasury stock method using the period-end market price, if higher than the average market price	68,300	133,710
TOTAL	3,582,024	3,722,912
Net Earnings	$467,623	$390,691
Fully diluted per share amounts	$.13	$.11